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CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

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29 November 1974

MEMORANDUM FOR: Mr. Robert Evers
Senior Economist
Council for International
Economic Policy

SUBJECT : Economic Planning

We are forwarding the additional material you requested for inclusion in the Economic Planning chapter of the President's International Economic Report. The introductory paragraphs were drafted by [redacted]

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Attachment: a/s

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ECONOMIC PLANNING

INTRODUCTION

It should be emphasized at the outset that economic planning as it exists in the West is quite different from Soviet-style planning. The five-year plans of the Soviet Union are enormously detailed, often specifying how much of each product a given factory is to produce each year. Moreover, the government makes full use of its vast economic power to create pressure to meet or exceed the planned targets. A full discussion of Soviet-style planning is beyond the scope of this paper but, whatever its advantages and disadvantages, it clearly involves a far higher degree of government intervention and control than any Western country would likely find acceptable.

Western economic planning differs from the Soviet variety both in complexity and in enforcement. Targets are set in much broader terms and in general are not broken down below the industry level. And, comparatively little pressure is applied to conform to plan goals. Governments may use their influence to nudge the economy in the desired direction, but as a rule even nationalized companies are not compelled to adhere to the plan. The phrase often used to describe this approach is "indicative planning." As

the name implies, it is more a forecast of how the government thinks the economy should develop than an actual plan.

Another point that should be made is that widespread government ownership of the means of production is not synonymous with planning. Either can exist with or without the other. Thus, many private companies in Japan probably feel more pressure to conform to plan targets than do government corporations in France or Britain.

Finally, looking at the six countries discussed here, it is hard to discern any net effect from economic planning or the lack of it. The table below shows that there is essentially no correlation between planning and economic growth.

Rank, in terms of extent of economic planning	Total increase in real GNP, 1962 - 1972
France	73%
Italy	57%
Japan	169%
United Kingdom	33%
Canada	69%
West Germany	55%

Nor has planning been very effective as a means of guiding the relative growth of different industries. Even where total output has increased according to plan, this achievement has usually resulted from an averaging process;

individual industries have exceeded or fallen short of .
their targets, often by wide margins.

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